

MERCURY CAR RENTALS LIMITED

BOARD

Mr. P.R.S. Oberoi, *Chairman*
Mr. John William McNicholas
Mr. S.S. Mukherji
Mr. Xavier Gernaey
Mr. T.K. Sibal

AUDITORS

Ray & Ray
Chartered Accountants
205, Ansal Bhawan, 2nd Floor
16, Kasturba Gandhi Marg
NEW DELHI 110 001

REGISTERED OFFICE

4, Mangoe Lane
KOLKATA 700 001

CORPORATE OFFICE

L10, Green Park Extension
NEW DELHI 110 016

DIRECTORS' REPORT

The Board presents the 17th Annual Report together with the Audited Statement of Accounts and Auditor's Report in respect of the year ended 31st March, 2011.

The financial highlights are given below:

	<i>Rupees in million</i>	
	2010-11	2009-10
Revenue	800.57	756.65
Profit before Tax	(23.66)	(37.05)
Current Tax	Nil	Nil
Deferred Tax	(7.28)	(0.80)
Fringe Benefit Tax	Nil	Nil
Tax adjustments for earlier years	Nil	1.22
Profit after Tax	(16.38)	(37.47)
Balance carried over	(36.28)	(19.90)

In the absence of profits, No Dividend is proposed for the year.

During the Financial Year under review:

- the Company's Total Revenue was ₹ 800.57 million as against ₹ 756.65 million in the previous year;
- the Operating Profit was at ₹ 122.20 million as against ₹ 113.48 million in the previous year;
- the Loss before Tax was at ₹ 23.66 million as against the Loss before Tax of ₹ 37.05 million during previous year.

As required under Section 217(2AA) of the Companies Act, 1956, the Board states that:

- a) in preparing the Annual Accounts, applicable Accounting Standards have been followed and that there are no material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit of the Company for that period;
- c) the Directors have taken proper and sufficient care to the best of their ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- d) the Directors have prepared the Annual Accounts on a "going concern" basis.

Energy conservation continues to be a priority area for the Company. The Company's entire fleet of vehicles is Euro 3 compliant. The emphasis while purchasing new vehicles is predominantly on fuel efficiency and use of cleaner fuel. All employees have been made aware of the need for energy conservation.

The Foreign Exchange earnings during the Financial Year amounted to ₹ 33.83 million as against ₹ 35.17 million in the previous year.

Mr. S.S. Mukherji, Director and Mr. Xavier Gernaey, Director are due to retire by rotation and are eligible for re-appointment.

As required under Section 383A(1) of the Companies Act, 1956, a Secretarial Compliance Certificate from KJ & Associates, practising Company Secretaries, in the prescribed format has been obtained. This is enclosed.

The information required in accordance with Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is annexed.

The Auditors of the Company, Ray & Ray, retire and are eligible for re-appointment.

The Board takes this opportunity to thank all employees of the Company for their commitment, dedication and co-operation.

Gurgaon
29th May, 2011

For and on behalf of the Board
P.R.S. OBEROI
Chairman

MERCURY CAR RENTALS LIMITED

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011

A. Employed throughout the year and was in receipt of remuneration for the year which, in the aggregate, was not less than ₹ 60,00,000.

Name of Employee (Age)	Designation/ Nature of Duties	Gross Remuneration (₹)	Qualification(s)	Total Experience	Date of Commencement of Employment	Particulars of Previous Employment
Sunil Gupta (49)	Chief Executive Officer	9,055,246	B.Tech. PGDM	25 yrs	October, 2009	Kuoni Travel Group

B. Employed for part of the year and were in receipt of remuneration for the year which, in the aggregate, was not less than ₹ 500,000 per month.

NIL

Notes:

1. Gross Remuneration shown above comprises of salary, aggregate of allowances and benefits as per the Company's Rules, Contribution to Provident Fund and Superannuation Fund, wherever applicable.
2. The above employee is whole time employee of the Company.
3. The above employee is not related to any Director of the Company.
4. The above employee has adequate experience to discharge his duties.

Gurgaon
29th May, 2011

For and on behalf of the Board
P.R.S. OBEROI
Chairman

COMPLIANCE CERTIFICATE

CIN of the Company : U63011WB1995PLC068029
Authorised capital : ₹ 60,000,000/-
Paid up capital : ₹ 49,166,650/-

To,
The Members,
MERCURY CAR RENTALS LIMITED
4, Mangoe Lane,
Kolkata-700001

We have examined the copies of registers, records, books, and papers of **MERCURY CAR RENTALS LIMITED** (hereinafter called 'the Company') as required to be maintained under the Companies Act, 1956 (hereinafter called 'the Act') and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all Registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made thereunder and all the entries therein have been duly recorded.
2. The Company has filed the forms and the returns as stated in **Annexure 'B'** to this certificate with the Registrar of Companies within the time / with additional filing fee prescribed under the Act and the rules made thereunder.
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met 4 (four) times on 26th May, 2010, 3rd September, 2010, 3rd December, 2010 and 30th March, 2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting, for the financial year ended on 31st March, 2010 was held on 24th August, 2010 after giving due notice to the members of the Company and the resolution passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting of the shareholders of the Company was held during Financial Year.
8. As per the information provided, the Company has not advanced any loan to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. As per the information provided and records made available, the Company has not entered into contract falling within the purview of Section 297 of the Act.

MERCURY CAR RENTALS LIMITED

10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. As per the information provided there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificate during the financial year.
13. As per the information provided and records made available the Company has:
 - (i) Not issued any share or other securities during the financial year;
 - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year;
 - (iii) The Company has not posted warrants to any members of the Company as no dividend was declared during the financial year;
 - (iv) No amount was required to be transferred to the credit of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which had remained unpaid/unclaimed for a period of more than seven years they became due to Investor Education and Protection Fund;
 - (v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and there was no appointment of Director during the financial year.
15. No appointment of Managing Director/Whole Time Director/Manager etc. has been made during the current financial year.
16. The Company has not appointed the sole-selling agent/s during the financial year.
17. As per explanations given and records made available to us, the Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of Preference Shares during the financial year and that the Company has not issued any debentures.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.

23. As per the information provided and records made available the Company has not invited or accepted any deposit including any unsecured loan falling within the purview of Section 58A of the Act read with Company (Acceptance of Deposits) Rule.
24. That amount borrowed by the Company from financial institutions and banks during the financial year ending 31st March, 2011, are within the borrowing limits of the Company and that the necessary resolutions, as per Section 293(1)(d) of the Act, have been duly passed in a duly convened Annual General Meeting of the shareholders.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the Register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. As per the explanation provided, there was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year for offences under the Act.
32. As per the explanation provided, the Company has not received any money as security from its employees during the financial year.
33. The Company has not created any private provident fund/trust but has deposited both employer's and employee's contribution to the statutory Provident Fund during the financial year.

Place: New Delhi
Date: 20th May, 2011

for KJ & Associates
Company Secretaries
Rajesh K. Jha
(Partner)
C.P. No. 5737

ANNEXURE 'A'

STATUTORY REGISTERS AS MAINTAINED BY THE COMPANY

S.No.	Statutory registers	under section*
1.	Register of Members	U/S. 150
2.	Copies of Annual Returns	U/S. 163
3.	Minutes book of meetings of Board of Directors	U/S. 193
4.	Minutes book of meetings of Shareholders	U/S. 193
5.	Books of Accounts, Vouchers etc.	U/S. 209
6.	Register of particulars of companies in which directors are interested	U/S. 301
7.	Register of Directors, Managing Director etc.	U/S. 303
8.	Register of Directors Shareholdings	U/S. 307
9.	Register of Charges	U/S. 143
10.	Copies of Instrument creating charge	U/S. 136

ANNEXURE 'B'

Forms and returns as filed with the Registrar of Companies during the financial year ended on 31st March, 2011

S. No.	Form No./ Return	Filed u/s	For	Date of filing	Filed in time or not	Additional fees paid or not
1.	Form No. 8	125	Creation of Charge in favour of HDFC Bank Limited on 30.03.2010	20-05-2010	NO	YES
2.	Form No. 17	138	Satisfaction of Charge registered in favour of IDBI Bank Limited on 22.04.2010	07-05-2010	YES	NA
3.	Form No. 32	303	For resignation and appointment of Director on 30.05.2010	06-05-2010	NO	YES
4.	Form No. 66	383A	Compliance Certificate as for financial year 31.03.2010	03-09-2010	YES	NA
5.	Form No. 23AC/ACA	220	Balance Sheet and Profit & Loss Account for the year ended 31.03.2010	13-09-2010	YES	NA
6.	Form No. 20B	159	Annual Return for Annual General Meeting held on 24.10.2010	29-09-2010	YES	NA

AUDITOR'S REPORT

To
The Members
Mercury Car Rentals Limited

1. We have audited the attached Balance Sheet of **MERCURY CAR RENTALS LIMITED** as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

MERCURY CAR RENTALS LIMITED

- (vi) in our opinion and to the best of our information and according to the explanations given to us the said accounts read in conjunction with Schedules 1 to 19 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner

Membership No. 80085
Firm Registration No. 301072E

Gurgaon
29th May, 2011

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of the Auditor's Report of Mercury Car Rentals Limited)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
2. The Company's nature of operations does not require it to hold inventories. Accordingly, the provisions of clause (ii)(a) to (c) of paragraph 4 of the aforesaid Order are not applicable to the Company.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) In view of our comments in paragraph 3(a) above, the provisions of clauses (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the aforesaid Order are not applicable to the Company.
- (c) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (d) In view of our comment in paragraph 3(c) above, the provisions of clauses (iii)(f) and (iii)(g) of paragraph 4 of the aforesaid Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, having regard to the explanation that for some items purchased for which comparable alternative quotations are not available because of specialised nature/quality and delivery schedule of such items and also having regard to sale of certain services which are for the customers specialised requirements for which suitable alternative sources are not available for comparable quotations, there are adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets, inventory and sale of goods/services except operation of vehicles and chauffeurs on contractual employment which requires improvement. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weakness in internal control system.
5. a) On the basis of our examination of books of account and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to

in (a) above and exceeding the value of ₹ 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except sale/purchase of services/goods of a special nature, for which suitable alternative sources are not available to obtain comparable quotations. However, in our opinion and on the basis of information and explanations provided, the same appear reasonable.

6. The Company has not accepted any deposits from the public and consequently, the directions issued by Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable to the Company.
7. In our opinion, the Company has an internal audit system which needs to be strengthened in order to be commensurate with the size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section(1) of Section 209 of the Companies Act, 1956 in respect of the services carried out by the Company.
9. a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other statutory dues applicable to it with appropriate authorities except for delays in deposition/non deposition.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- b) According to the information and explanations given to us, *except for VAT of ₹15,312,472*, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess which were outstanding as at 31st March, 2011 for a period of more than six months from the date they become payable.
- c) According to the information and explanations given to us, there are no dues of sales tax, service tax, customs duty, excise duty, wealth tax and cess which have not been deposited on account of any dispute other than disputed income tax as indicated below:

Name of statute	Nature of dues	Assessment Year	Forum where dispute is pending	Amount (₹)
Income Tax Act, 1961	Income Tax	2006-07	CIT (Appeals) Kolkata	2,961,117
Income Tax Act, 1961	Income Tax	2007-08	CIT (Appeals) Kolkata	325,248

*Reference is also invited to Note 9 (Schedule 19) as regards DVAT on Car Rentals Services at Delhi.

10. The accumulated losses at the end of the financial year are less than fifty percent of the net worth. The Company has not incurred any cash loss during the financial year considered for the audit and also in the immediately preceding previous year.

11. On the basis of records examined and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions/banks. The Company does not have any debenture holders.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other similar securities. Accordingly, the provisions of clause (xii) of paragraph 4 of the aforesaid Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the aforesaid Order are not applicable to the Company.
14. In our opinion, the Company is not dealing or trading in shares, security, debentures and other securities. Accordingly, the provisions of clause (xiv) of paragraph 4 of the aforesaid Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause (xv) of paragraph 4 of the aforesaid Order are not applicable to the Company.
16. According to the information and explanations given to us, the term loans raised by the Company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties or Companies covered in the Register maintained under Section 301 of the Companies Act, 1961. Accordingly, the provisions of clause (xviii) of paragraph 4 of the aforesaid Order are not applicable to the Company.
19. The Company has not issued any debentures. Accordingly, the provisions of clause (xix) of paragraph 4 of the aforesaid Order are not applicable to the Company.
20. The Company has not raised any money by public issue. Accordingly, the provisions of clause (xx) of paragraph 4 of the aforesaid Order are not applicable to the Company.
21. During the course of our examination of the books of account of the Company, we have neither come across any instance of fraud on or by the Company nor have we been informed of any such case by the Management.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner

Gurgaon
29th May, 2011

Membership No. 80085
Firm Registration No. 301072E

Balance Sheet

as at 31st March, 2011

			As at 31st March	
	Schedule	Rupees	2011 Rupees	2010 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
CAPITAL	1	49,166,650		49,166,650
RESERVES AND SURPLUS	2	<u>47,852,965</u>		<u>47,852,965</u>
			97,019,615	97,019,615
LOAN FUNDS				
SECURED LOANS	3		448,624,300	336,308,551
DEFERRED TAX LIABILITY - NET	4		-	1,943,437
TOTAL			<u>545,643,915</u>	<u>435,271,603</u>
APPLICATIONS OF FUNDS				
FIXED ASSETS				
GROSS BLOCK	5	594,228,606		590,163,998
<i>Less</i> : DEPRECIATION		<u>221,949,597</u>		<u>252,275,413</u>
NET BLOCK		<u>372,279,009</u>		<u>337,888,585</u>
CAPITAL WORK-IN-PROGRESS		<u>3,271,369</u>		<u>1,950,300</u>
NET BLOCK			375,550,378	339,838,885
DEFERRED TAX (NET)	4		5,343,022	-
CURRENT ASSETS, LOANS & ADVANCES				
INTEREST ACCRUED		879,312		-
SUNDRY DEBTORS	6	137,689,061		101,300,656
CASH & BANK BALANCES	7	44,776,665		10,966,419
LOANS & ADVANCES	8	<u>102,025,758</u>		<u>86,906,801</u>
		<u>285,370,796</u>		<u>199,173,876</u>
<i>Less</i> : CURRENT LIABILITIES & PROVISIONS				
LIABILITIES	9	138,228,961		105,996,297
PROVISIONS	10	<u>8,567,170</u>		<u>7,542,680</u>
		<u>146,796,131</u>		<u>113,538,977</u>
NET CURRENT ASSETS			138,574,665	85,634,899
PROFIT AND LOSS ACCOUNT	11		26,175,850	9,797,819
TOTAL			<u>545,643,915</u>	<u>435,271,603</u>
SIGNIFICANT ACCOUNTING POLICIES	18			
NOTES TO THE ACCOUNTS	19			

Schedules 1 to 11, 18 & 19 referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
29th May, 2011

P.R.S. OBEROI *Chairman*

S.S. MUKHERJI
T.K. SIBAL *Directors*

Profit and Loss Account for the year ended 31st March, 2011

	Schedule	Year ended 31st March	
		2011 Rupees	2010 Rupees
INCOME			
TRANSPORT		747,562,236	718,033,335
OTHER INCOME	12	53,014,309	38,615,616
		<u>800,576,545</u>	<u>756,648,951</u>
EXPENDITURE			
EMPLOYEES' REMUNERATION & WELFARE EXPENSES	13	116,283,600	106,378,322
RENT INCLUDING LEASE RENT & LICENCE FEES		25,850,572	42,047,440
VEHICLE HIRE/OPERATING/MINIMUM GUARANTEE FEE		184,458,977	145,405,319
VEHICLE RUNNING, MAINTENANCE & TAXES		139,114,354	144,756,473
ADMINISTRATIVE, SELLING & OTHER EXPENSES	14	206,377,060	198,985,443
REPAIRS & MAINTENANCE	15	6,285,083	5,588,082
INTEREST & FINANCE CHARGES	16	40,403,967	36,674,410
DEPRECIATION		105,467,422	113,865,060
		<u>824,241,035</u>	<u>793,700,549</u>
PROFIT/(LOSS) BEFORE TAXATION		(23,664,490)	(37,051,598)
TAXATION	17	(7,286,459)	426,506
PROFIT/(LOSS) AFTER TAXATION		<u>(16,378,031)</u>	<u>(37,478,104)</u>
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		<u>(19,897,819)</u>	<u>17,580,285</u>
		<u>(36,275,850)</u>	<u>(19,897,819)</u>
APPROPRIATIONS			
PROPOSED DIVIDEND			
- CUMULATIVE REDEEMABLE PREFERENCE SHARES		-	-
TAX ON DIVIDEND (including Cess)		-	-
BALANCE CARRIED TO BALANCE SHEET		<u>(36,275,850)</u>	<u>(19,897,819)</u>
		<u>(36,275,850)</u>	<u>(19,897,819)</u>
Basic and Diluted Earnings per Share (in Rupees) Face Value ₹ 10 (Note 22)		(3.33)	(48.49)
Number of Equity Shares (Weighted Average)		4,916,665	772,831
SIGNIFICANT ACCOUNTING POLICIES	18		
NOTES TO THE ACCOUNTS	19		

Schedules 12 to 19 form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
29th May, 2011

P.R.S. OBEROI *Chairman*
S.S. MUKHERJI *Directors*
T.K. SIBAL

Cash Flow Statement

	Year ended 31st March	
	2011	2010
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(23,664,490)	(37,051,598)
Adjustments for:		
Depreciation	105,467,422	113,865,060
Profit on Sale of Assets	(28,153,385)	(20,985,392)
Interest Paid / Payable	40,403,967	36,674,410
Interest Received	(1,262,313)	(2,177,460)
Provision for Leave Encashment on Retirement	418,655	(517,485)
Provision for Gratuity	605,835	210,544
Liabilities Written Back	(2,275,254)	(5,439,977)
Provision / write off : Doubtful Debts & Advances	3,295,509	6,298,308
Operating Profit/(Loss) before Working Capital Changes	<u>94,835,946</u>	<u>90,876,410</u>
Adjustments for:		
Trade and Other Receivables	(40,582,127)	16,282
Trade Payables	22,267,434	(35,296,204)
Cash Generated from Operations	<u>76,521,253</u>	<u>55,596,488</u>
Interest Paid	(39,887,587)	(33,941,643)
Fringe Benefit tax Paid	-	(175,000)
Income Tax Paid / Refunds	(11,746,978)	2,478,507
Cash Flow from Operating Activities	<u>24,886,688</u>	<u>23,958,352</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(196,519,003)	(158,927,639)
Sale of Fixed Assets	83,493,473	76,188,626
Cash used in Investing Activities	<u>(113,025,530)</u>	<u>(82,739,013)</u>

Cash Flow Statement — *Contd.*

	Year ended 31st March	
	2011 Rupees	2010 Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Vehicle Loans	209,294,255	169,576,794
Proceeds from Secured Loan	66,629,383	(43,645,212)
Proceeds from Unsecured Loan	—	(4,552,923)
Repayments of Vehicle Loans	(154,316,982)	(136,416,838)
Advance against Equity	—	—
Increase in Equity Share Capital & Securities Premium	—	24,999,970
Finance Leased Liabilities	342,432	28,830
Dividend Paid	—	(701,970)
Net Cash from Financing Activities	121,949,088	9,288,651
Net Increase/(Decrease) in Cash and Cash Equivalents	33,810,246	(49,492,010)
Cash and Cash Equivalents at the beginning of the year	10,966,419	60,458,429
Cash and Cash Equivalents at the end of the year	44,776,665	10,966,419

Notes :

- The Cash Flow Statement has been prepared in indirect method except in case of dividend, purchase and sale of assets, which has been considered on actual cash movement with corresponding adjustments to Assets and Liabilities.
- Cash and Cash Equivalents at the end of the year ₹ 44,776,665 (2010 - ₹ 10,966,419) comprises of:
Cash/Cheques in hand - ₹ 10,679,418 (2010 - ₹ 1,954,897)
Bank Balances - ₹ 16,591,966 (2010 - ₹ 4,034,354)
Fixed Deposit - ₹ 17,072,352 (2010 - ₹ 4,580,000)
Margin Deposit - ₹ 432,929 (2010 - ₹ 397,472).

This is the Cash Flow Statement referred to in our report of even date.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
29th May, 2011

P.R.S. OBEROI Chairman
S.S. MUKHERJI]
T.K. SIBAL] Directors

Schedules to Accounts

	As at 31st March	
	2011 Rupees	2010 Rupees
1		
SHARE CAPITAL		
AUTHORISED		
5,000,000 (2010-5,000,000) Equity Shares of ₹ 10 each	50,000,000	50,000,000
100,000 (2010-100,000) 6% Cumulative Redeemable Preference Shares of ₹ 100 each	10,000,000	10,000,000
	<u>60,000,000</u>	<u>60,000,000</u>
ISSUED, SUBSCRIBED, CALLED & PAID UP		
4,916,665 (2010-4,916,665) Equity Shares of ₹ 10 each fully paid up	49,166,650	49,166,650
	<u>49,166,650</u>	<u>49,166,650</u>

Note :

3,277,777 (2010-3,277,777) Equity Shares are held by EIH Limited - the Holding Company

	Rupees	As at 31st March	
		2011 Rupees	2010 Rupees
2			
RESERVES & SURPLUS			
GENERAL RESERVE			
As per last Account	10,100,000		10,100,000
Less: Adjusted with debit balance in Profit & Loss Account	<u>10,100,000</u>		<u>10,100,000</u>
		-	-
SECURITIES PREMIUM ACCOUNT			
As per last Account	47,852,965		14,519,645
Additions	<u>-</u>		<u>33,333,320</u>
		<u>47,852,965</u>	<u>47,852,965</u>

Schedules to Accounts — *Contd.*

	As at 31st March	
	2011	2010
	Rupees	Rupees
3		
SECURED LOANS		
LOANS FROM		
Banks	344,642,161	222,999,946
Finance Companies	103,982,139	113,308,605
	<u>448,624,300</u>	<u>336,308,551</u>
PARTICULARS OF SECURITIES		
1. a) Banks (Against Hire Purchase Arrangement)		
(Secured by hypothecation of vehicles)		
Dhanalakshmi Bank Limited	35,548,080	–
(Amount due within next twelve months ₹ 6,301,680; 2010 - ₹ Nil)		
ICICI Bank Limited	2,610,738	16,254,749
(Amount due within next twelve months ₹ 1,046,655; 2010 - ₹ 11,554,962)		
HDFC Bank Limited	223,301,271	190,192,508
(Amount due within next twelve months ₹ 89,324,306; 2010 - ₹ 63,320,145)		
1. b) IDBI Bank Limited - Cash Credit Account	–	366,973
Secured by hypothecation of all present and future goods (other than vehicles) and other movable assets & book debts. The Loan is additionally secured by means of a Corporate Guarantee by EIH Limited upto ₹ 200 lacs (released subsequently)		
1. c) HDFC Bank Limited - Cash Credit Account	83,182,072	16,185,716
To be secured by hypothecation of all present and future Current Assets. Relevant documentation is being done. The Loan is additionally secured by means of a Corporate Guarantee by EIH Limited of ₹ 600 lacs.		
2. Finance Companies (Against Hire Purchase Arrangement)		
(Secured by hypothecation of vehicles)		
Reliance Capital Limited	27,842,162	56,808,170
(Amount due within next twelve months ₹ 13,045,410; 2010 - ₹ 28,507,876)		
Kotak Mahindra Primus Limited	76,139,977	56,500,435
(Amount due within next twelve months ₹ 20,879,357; 2010 - ₹ 20,244,705)		

Schedules to Accounts — *Contd.*

	Rupees	As at 31st March	
		2011 Rupees	2010 Rupees
4			
DEFERRED TAX ASSET / (LIABILITY)			
DEFERRED TAX LIABILITIES			
Fixed Assets (Excess of Net Block over written down value as per provision of Income Tax Act, 1961)		31,221,080	29,867,613
		31,221,080	29,867,613
DEFERRED TAX ASSETS			
Unabsorbed Depreciation	29,101,890		22,038,838
Tax, duties, sums deductible on payment	5,015,430		4,113,470
Gratuity	860,808		740,966
Leave Encashment on Retirement	701,368		629,204
Provision for Debts/Advances	884,606		401,698
		36,564,102	27,924,176
Deferred Tax Asset / (Liability) - (Net)		5,343,022	(1,943,437)

5
FIXED ASSETS

	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Original cost as at 31.03.10 (Rupees)	Additions (Rupees)	Sales/ Adjustments (Rupees)	Original cost as at 31.03.11 (Rupees)	As at 31.03.10 (Rupees)	For the Year (Rupees)	Sales/ Adjustments (Rupees)	As at 31.03.11 (Rupees)	As at 31st March, 2011 (Rupees)	As at 31st March, 2010 (Rupees)
Furniture & Fixtures	26,718,832	2,519,941	–	29,238,773	6,424,981	2,265,199	–	8,690,180	20,548,593	20,293,851
Computers	8,207,748	2,284,405	–	10,492,153	4,619,140	1,264,684	–	5,883,824	4,608,329	3,588,608
Vehicles	528,437,490	177,780,174	189,717,340	516,500,324	215,349,190	99,811,307	135,575,179	179,585,318	336,915,006	313,088,300
Leased Vehicles (Note 13)	–	7,094,238	1,415,986	5,678,252	–	1,022,555	218,059	804,496	4,873,756	–
Intangible Assets										
- Trademarks	22,599,500	–	–	22,599,500	22,599,500	–	–	22,599,500	–	–
- Licenced Software	4,200,428	5,519,176	–	9,719,604	3,282,602	1,103,677	–	4,386,279	5,333,325	917,826
	590,163,998	195,197,934	191,133,326	594,228,606	252,275,413	105,467,422	135,793,238	221,949,597	372,279,009	337,888,585
Capital Work-in-Progress (at cost) including Capital advances considered good ₹ 3,271,369 (2010 - ₹ 1,950,300)	1,950,300	3,271,369	1,950,300	3,271,369	–	–	–	–	3,271,369	1,950,300
	592,114,298	198,469,303	193,083,626	597,499,975	252,275,413	105,467,422	135,793,238	221,949,597	375,550,378	339,838,885
Previous year	616,018,728	166,404,976	190,309,406	592,114,298	275,154,333	113,865,060	136,743,980	252,275,413	339,838,885	

Note : Gross Block of Vehicles includes ₹ 125,260,724 (2010 - ₹ 462,275,625) acquired under Hire-Purchase Arrangement.

Schedules to Accounts — *Contd.*

		As at 31st March	
	Rupees	2011 Rupees	2010 Rupees
6			
SUNDRY DEBTORS (Unsecured)			
a) Debts outstanding over six months			
(i) Sales of Services			
Considered Good	9,032,199		3,118,646
Considered Doubtful	964,537		651,365
	<u>9,996,736</u>		<u>3,770,011</u>
(ii) Claims			
Considered Good	1,245,673		–
Considered Doubtful	–		448,758
	<u>1,245,673</u>		<u>448,758</u>
Total		11,242,409	4,218,769
Less: Provisions		964,537	1,100,123
		<u>10,277,872</u>	<u>3,118,646</u>
b) Others (Considered Good)			
(i) Sales of Services	127,061,090		98,097,757
(Includes ₹ 12,176,396 (2010 - ₹ 10,013,227) from Holding Company EIH Ltd.)			
(ii) Claims	350,099		84,253
		<u>127,411,189</u>	<u>98,182,010</u>
		<u>137,689,061</u>	<u>101,300,656</u>
7			
CASH & BANK BALANCES			
Cash in hand		1,058,858	1,954,897
Cheques in hand/transit		9,622,560	–
With Scheduled Bank in :			
- Current Accounts		16,591,966	4,034,050
- Fixed Deposits (Note 6)		17,072,352	4,580,000
- Margin Deposit (Note 6)		432,929	397,472
		<u>44,776,665</u>	<u>10,966,419</u>
8			
LOANS & ADVANCES (Unsecured)			
Advances recoverable in cash or in kind or for the value to be received			
- Considered Good	3,092,453		4,917,996
- Considered Doubtful	1,898,265		81,688
		<u>4,990,718</u>	<u>4,999,684</u>
Less: Provisions		1,898,265	81,688
		<u>3,092,453</u>	<u>4,917,996</u>
Excise Duty, Service Tax and VAT recoverable		18,929,622	15,472,855
Prepaid Expenses		6,890,229	6,205,463
Sundry Deposits (Considered Good)		9,360,220	8,304,231
Income Tax Payments/Refund		63,753,234	52,006,256
		<u>102,025,758</u>	<u>86,906,801</u>

Schedules to Accounts — *Contd.*

	As at 31st March	
	2011	2010
	Rupees	Rupees
9		
LIABILITIES		
Sundry Creditors		
– Total outstanding dues of Micro Enterprises and Small Enterprises (Note 19)	–	–
– Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	116,926,353	75,991,843
Other Liabilities	11,169,741	22,224,398
Security Deposits	2,040,265	1,378,544
Liability for Leased Vehicle (Note 13)	5,148,679	–
Interest Accrued but not due	2,943,923	2,810,544
Bank Overdraft	–	3,590,968
	<u>138,228,961</u>	<u>105,996,297</u>
10		
PROVISIONS		
Gratuity	2,785,788	2,179,953
Leave Encashment on Retirement	5,781,382	5,362,727
	<u>8,567,170</u>	<u>7,542,680</u>
11		
PROFIT AND LOSS ACCOUNT		
As per Annexed Accounts	36,275,850	19,897,819
Less : Adjusted with General Reserve	10,100,000	10,100,000
	<u>26,175,850</u>	<u>9,797,819</u>

Schedules to Accounts — *Contd.*

	Year ended 31st March	
	2011 Rupees	2010 Rupees
12		
OTHER INCOME		
Service Charges	196,056	359,025
Shopping Income	2,620,090	3,725,684
Referral Commission	1,912,894	1,702,092
Miscellaneous Income	6,596,104	4,225,986
Fleet Management Fees	9,736,693	–
Profit on Sale of Assets	28,153,385	20,985,392
Interest Income (From Banks ₹ 1,262,313 & Others ₹ Nil; 2010 - ₹ 156,070 & ₹ 2,021,390 respectively) (Tax Deducted at Source ₹ 130,018; 2010 - ₹ 17,201)	1,262,313	2,177,460
Liabilities/Provisions/Advance Rentals received written back	2,275,254	4,922,492
Bad Debts Recovered	261,520	–
Provision for Leave Encashment written back	–	517,485
	<u>53,014,309</u>	<u>38,615,616</u>
13		
EMPLOYEES REMUNERATION & WELFARE EXPENSES		
Salary, Wages, Bonus, etc.	89,173,116	85,273,245
Contribution to Provident Fund and Other Funds	4,781,336	3,836,443
Provision for Gratuity	605,835	210,544
Provision for Leave Encashment on Retirement	418,655	–
Staff Welfare Expenses	21,304,658	17,058,090
	<u>116,283,600</u>	<u>106,378,322</u>

Schedules to Accounts — *Contd.*

	Year ended 31st March	
	2011 Rupees	2010 Rupees
14		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rates and Taxes	259,465	1,117,415
Travelling and Conveyance	7,650,458	7,508,900
Postage, Telephone & Telex	11,477,681	12,529,850
Printing & Stationery	4,655,117	4,362,818
Advertisement, Publicity and Other Promotional Expenses net of recovery ₹ 1,176,732 (2010 - ₹ 346,150)	1,548,403	125,753
Sales Commission	12,060,063	10,354,786
Brokerage	300,000	362,500
Insurance	8,716,717	10,915,102
Legal & Professional Charges	3,677,681	5,139,291
Electricity & Water etc.	2,787,243	2,669,124
Auditor's Remuneration (Note 21)	610,250	473,250
Contractors Service Charges	114,045,490	100,994,566
Provision/Write off : Debts & Advances	3,295,509	6,298,308
Freight & Cartage	857,315	220,704
Royalty including Cess	25,103,883	26,195,269
Bank Charges, etc.	7,014,815	6,670,501
Subscription	46,768	75,500
Utilities - Airports	-	720,000
Books & Periodicals	124,777	305,173
Foreign Exchange loss	-	52,312
Hire Charges	2,123,707	1,034,701
Tender Fees	-	732,002
Miscellaneous Expenses	21,718	127,618
	<u>206,377,060</u>	<u>198,985,443</u>

Schedules to Accounts — *Contd.*

	Year ended 31st March	
	2011 Rupees	2010 Rupees
15		
REPAIR & MAINTENANCE		
Plant & Machinery	2,210,673	968,527
Others	4,074,410	4,619,555
	<u>6,285,083</u>	<u>5,588,082</u>
16		
INTEREST & FINANCE CHARGES		
Fixed	32,931,047	32,803,984
Others	7,472,920	3,870,426
	<u>40,403,967</u>	<u>36,674,410</u>
17		
TAXATION		
Current Tax	-	-
Deferred Tax	(7,286,459)	(800,719)
Fringe Benefit Tax	-	-
Tax Adjustments for earlier years	-	1,227,225
	<u>(7,286,459)</u>	<u>426,506</u>

Schedules to Accounts — *Contd.*

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SIGNIFICANT ACCOUNTING POLICIES

1. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared to comply in all material aspects in respect with the Notified Accounting Standards by the Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956.

Financial Statements are based on historical cost and are prepared on accrual basis except where impairment is made.

Accounting policies have been consistently applied by the Company and are consistent with those used in the previous years.

2. USE OF ESTIMATES

The preparation of Financial Statements in conformity with generally accepted accounting principles that requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statements and the reported amount of revenue and expenses during the reporting year end. Although, these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

3. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

Turnover comprises of Income on Transport/Car Rentals and Other Income which includes shopping income, insurance commission, referral commission, etc. Revenue is recognised when the significant risks and rewards of ownership has passed to the buyer with rendering of services and are disclosed net of discount. Tax deducted at source thereon is treated as Income Tax Payment. Shopping income, Insurance commission and Referral commission are accounted for on accrual basis. Income from interest is credited to revenue in the year of its accrual on time proportion basis taking into account the amount deposited and rate of interest. The income is stated in full and tax deducted thereon is accounted for under Income tax payment/refunds. Turnover excludes the amount of taxes viz. Sales Tax / Value Added Tax, Service Tax, etc.

4. FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price/cost of acquisition including taxes, duties, freight and other incidental expenses related to acquisition and installation to bring the asset to its working condition for intended use. Cost in respect of vehicles is net of CENVAT input on excise duty or excise refundable. Interest on loans specifically availed is capitalised upto the date on which assets are capitalised.

5. DEPRECIATION

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for:

- a) Vehicles acquired under purchase arrangements with suppliers are amortised over the period of arrangement;
- b) Vehicles acquired on lease are depreciated over their respective lease period or sixty months whichever is earlier;
- c) Trademarks are treated as Intangible Asset and are amortised over a period of one hundred and twenty months being the period of License and Buy/Sell Agreements;
- d) Licenced software is treated as Intangible Asset and are amortised over a period of sixty months; and
- e) Pre-fabricated/Porta Cabin/Renovation of leased premises – Furniture & Fixture are amortised over that useful life of sixty months/lease period;

and the amounts provided for are not less than the amount required as per the Companies Act, 1956.

6. LEASES

- a) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of leased assets are classified as Operating Leases. Operating lease payments are recognised as expense in the Profit and Loss Account on straight line basis over the lease period. Future rentals are disclosed as commitment.
- b) In respect of assets acquired on or after 1.4.2001 under finance lease, the same are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and reduction of the lease liabilities so as to achieve the constant rate of interest on the remaining balance of lease liability. Interest component is charged to the Profit and Loss Account.

7. EMPLOYEE BENEFIT

Contributions paid/payable to defined contribution schemes such as Provided Fund, Employees State Insurance dues and Labour Welfare Fund are recognised in the Profit and Loss Account. These contributions are made to government

Schedules to Accounts — *Contd.*

SIGNIFICANT ACCOUNTING POLICIES (*Contd.*)

administered funds to which the Company has no further obligations beyond its monthly/periodic contributions. The Company also provides retirement benefits in the form of gratuity and leave encashment only which are determined using the Projected Unit Credit method as at the Balance Sheet date by an independent actuary.

Under the Projected Unit Cost method, a projected accrued benefit is calculated at the beginning of the period and again at the end of the period for each benefit that will accrue for all active member of the plan. The projected accrued benefit is based on the plan accrual formula and upon service as of the beginning or end of the period, but using member's final compensation, projected to the age at which the employee is assumed to leave active service. The plan liability is the actuarial present value of the projected accrued benefits as of the beginning and the end of the period for active members. Actuarial gains/losses are immediately taken to Profit and Loss Account and not deferred. Terminating benefits are recognised as an expense as and when accrued. The undiscounted amount of short term employee benefits, viz. compensated absence and performance incentives expected to be paid in exchange for the services rendered by the employee is recognised during the period when the employee renders the service.

8. TRANSACTIONS IN FOREIGN CURRENCY

- a) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction, and non-monetary items which are carried at fair value on the similar valuation denominated in a foreign currency, are reported using the exchange rates that existed when the values were determined.
- c) Exchange differences arising on the settlement of monetary or on reporting monetary items at rates different from those at which they were initially recorded during the year or reported in previous financial statement are recognised as income or as expenses in the year in which they arise.

9. BORROWING COSTS

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings and finance charges under leases. Costs incurred on borrowings, directly attributable to fixed assets, which take a substantial period of time to complete, are capitalised and all other borrowing costs are recognised in the Profit and Loss Account in the period in which they are incurred.

10. TAXES ON INCOME

Current tax is determined on the amount of tax payable in respect of taxable income for the year.

The deferred tax charge or credit is recognised using current tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets, liabilities are reviewed at each Balance Sheet date based on development during the year and available case law, to reassess realisation / liability.

11. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of obligation can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. Contingent liabilities are recognised only when there is possible obligation arising from the past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. The obligations are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent assets are not recognised in the financial statements.

12. PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND CHANGES IN ACCOUNTING POLICIES

Prior period adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

13. DIVIDEND

Dividend recommended by the Board of Directors is provided for in the accounts pending Shareholders' approval.

Schedules to Accounts — *Contd.*

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NOTES TO THE ACCOUNTS

1. The estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 6,193,098 (2010 - ₹ 1,950,300).
2. In absence of profits, no provision has been made of ₹ 697,743 (inclusive of Tax) for 2009-10 in respect of dividend on 6% Cumulative Redeemable Preference Shares.
3. Contingent Liability not provided for in respect of:
Claims against the Company pending appellate/judicial decisions
Income Tax ₹ 3,286,365 (2010 - ₹ 3,286,365)
4. Guarantee given by EIH Limited – The Holding Company :
4.1 Industrial Development Bank of India Limited Nil (2010 - ₹ 50,000,000)
4.2 HDFC Bank Limited ₹ 60,000,000 (2010 - ₹ 40,000,000)
5. The Company has given Bank Guarantee of ₹ 10,724,500 (2010 - ₹ 16,270,512) to various Government Authorities.
6. Margin Deposit ₹ 432,929 (2010 - ₹ 397,472) and Fixed Deposit for ₹ 11,796,950 (2010 - ₹ Nil) have been lodged with the bank for obtaining guarantees or as deposits.
7. Interest debited to Profit and loss Accounts is net of interest capitalised under Capital Work in Progress amounting to ₹ 31,208 (2010 - ₹ Nil)
8. Balances appearing under the head Liabilities, Loans & Advances and Sundry Debtors are subject to confirmation/reconciliation.
9. Based on the decision of Hon'ble High Court of Delhi, Car Rental Services in Delhi are not subject to DVAT. The department has gone into appeal against this decision to Hon'ble Supreme Court. Pending final decision from Hon'ble Supreme Court, the Company has not collected/deposited DVAT from some customers at Delhi.
10. General Description of the Company's operating lease arrangement under Accounting Standard (AS-19) "Leases" issued by the Institute of Chartered Accountants of India.
 - a) The Company has entered into operating lease arrangements for office premises, airport services and residential premises for its employees. Some of the significant terms & conditions of the arrangements are:-
 - Agreements may generally be terminated by either party by serving notice period.
 - The lease arrangements are generally renewable on expiry subject to mutual agreements.
 - The Company shall not sublet, assign or part with possession of premises without prior written consent of lessor.
 - b) Rent in respect of above has been charged to the Profit and Loss Account under Rent.
 - c) The year-wise break up of the future minimum lease payments in respect of the leased premises is as under:

Total Future Lease payments as at 31.03.2011	37,614,232
	(60,167,045)
Not Later than one year	14,848,338
	(23,411,561)
Later than 1 year but less than 5 years	22,765,894
	(36,755,484)
Later than 5 years	Nil
	(Nil)

Figures in brackets represent figures for 2010
11. Depreciation has been provided for in the Accounts on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for:-
 - a) Vehicles acquired under purchase arrangements with suppliers are amortised over the period of arrangement;
 - b) Vehicles acquired on lease are depreciated over their respective lease period or sixty months, whichever is earlier;
 - c) Trademarks are amortised over a period of one hundred twenty months being the period of License and Buy/Sell Agreements;
 - d) Licenced software are amortised over a period of sixty months; and
 - e) Pre-fabricated/Porta Cabin/renovation of leased premises – Furniture & Fixture are amortised over that useful life of sixty months / lease period

and the amounts provided for are not less than the amounts required as per the Companies Act, 1956.
12. Pending assessment of Service Tax/Value Added Tax, further liability, if any, is not ascertainable. Steps are being taken to deposit the applicable statutory dues.

Schedules to Accounts — *Contd.*NOTES TO THE ACCOUNTS (*Contd.*)

13. Gross Block of Fixed Assets includes Assets acquired on financial lease aggregating to ₹ 5,678,252 as at 31st March, 2011. This includes an amount of ₹ 7,094,238 (2010 - ₹ Nil) being the Assets acquired during the year under finance lease and capitalised in line with the requirement of Accounting Standard (AS-19) 'Leases'. Depreciation for the year includes an amount of ₹ 1,022,555 (2010 - ₹ 18,369) being depreciation charged on these Assets.

The year-wise break-up of the outstanding lease obligations in respect of Assets capitalised during the Year are as under:

Description	(Rupees)
Vehicles taken on lease	
Total Minimum Lease Payments at the year end.	6,211,263 (Nil)
Present value of Minimum Lease Payments.	5,148,679 (Nil)
Not later than one year	
Minimum Lease Payments.	1,503,204 (Nil)
Present value as on 31st March, 2011	1,428,210 (Nil)
Later than one year but not later than five years	
Minimum Lease Payments.	4,708,059 (Nil)
Present value as on 31st March, 2011	3,720,269 (Nil)
Later than five years	
Minimum Lease Payments.	Nil (Nil)
Present value as on 31st March, 2011	Nil (Nil)
(a) Contingent rents recognised as expense in the Statement of Profit and Loss for the year.	Nil
(b) The total of future minimum sublease payments expected to be received under non-cancellable subleases at the Balance Sheet date.	Nil

Figures in brackets represent figures for 2010

14. Defined Benefit Plan

- 14.1 As per Actuarial Valuation as on 31st March, 2011 and recognised in the Financial Statements in respect of Employees Benefit Schemes

Sl. No.	Description	Gratuity (Non Funded)	Leave Encashment (Non Funded)
1.	Expense recognised in the Statement of Profit and Loss for the year ended 31st March, 2011		
a.	Current Service cost	626,287 (550,432)	1,727,065 (1,722,244)
b.	Interest Cost	174,396 (157,553)	429,018 (470,417)
c.	Employee Contributions	—	—
d.	Expected return on plan assets	—	—
e.	Net Actuarial (Gains)/Losses	393,432 (-218,941)	1,394,699 (1,480,126)
f.	Benefits Paid (net)	(595,305) (-278,500)	(3,132,127) (-4,190,272)
g.	Past service cost	—	—
h.	Settlement cost	—	—
i.	Total Expense	598,810 (210,544)	418,655 (-517,485)

Schedules to Accounts — *Contd.*NOTES TO THE ACCOUNTS (*Contd.*)

Sl. No.	Description	Gratuity (Non Funded)	Leave Encashment (Non Funded)
2.	Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2011		
a.	Present value of Defined Benefit Obligation as at 31st March, 2011	(2,785,788) (-2,179,953)	(5,781,382) (-5,362,727)
b.	Fair Value of plan assets as at 31st March, 2011	–	–
c.	Funded status {Surplus/(Deficit)}	–	–
d.	Net Asset /(Liability) as at 31st March, 2011	(2,785,788) (-2,179,953)	(5,781,382) (-5,362,727)
3.	Changes in obligation during the year ended 31st March, 2011		
a.	Present value of Defined Benefit Obligation at the beginning of the year	2,179,953 (1,969,409)	5,362,727 (5,880,212)
b.	Service Cost	626,287 (550,432)	1,727,065 (1,722,244)
c.	Interest Cost	174,396 (157,553)	429,018 (470,417)
d.	Settlement Cost	–	–
e.	Past Service Cost	7,025 (–)	– (–)
f.	Employee Contributions	–	–
g.	Actuarial (Gains)/Losses	393,432 (-218,941)	1,394,699 (1,480,126)
h.	Benefit Payments	595,305 (-278,500)	(3,132,127) (-4,190,272)
i.	Present value of Defined Benefit Obligation at the end of the year	2,785,788 (2,179,953)	5,781,382 (5,362,727)
4.	Change in Assets during the year ended 31st March, 2011		
a.	Plan assets at the beginning of the year	–	–
b.	Assets acquired on amalgamation in the previous year	–	–
c.	Settlements	–	–
d.	Expected return on plan assets	–	–
e.	Contributions by Employer	–	–
f.	Actual benefits paid	–	–
g.	Actuarial Gains/(Losses)	–	–
h.	Plan assets at the end of the year	–	–
i.	Actual return on plan assets	–	–
5.	Major categories of plan assets as a percentage of total plan	Nil	Nil
	Qualifying Insurance Policy	Nil	Nil
6.	Actuarial Assumptions	31st March, 2011	31st March, 2010
a.	Discount rate	8.00%	8.00%
b.	Expected rate of return on plan assets	–	–
c.	Mortality Pre-retirement	As per mortality table of LIC	
d.	Mortality Post-retirement	(1994-96) duly modified	
e.	Turnover rate - up to 30 years of age	3.00%	3.00%
	- up to 44 years of age	2.00%	2.00%
	- above 44 years of age	1.00%	1.00%
f.	Future salary increase	6.00%	6.00%

Figures in brackets represent figures for 2010

Schedules to Accounts — *Contd.*NOTES TO THE ACCOUNTS (*Contd.*)

- 14.2 The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

14.3	Year ended 31st March, 2011		Year ended 31st March, 2010		Year ended 31st March, 2009		Year ended 31st March, 2008	
	Gratuity (Unfunded) ₹	Leave Encashment (Unfunded) ₹	Gratuity (Unfunded) ₹	Leave Encashment (Unfunded) ₹	Gratuity (Unfunded) ₹	Leave Encashment (Unfunded) ₹	Gratuity (Unfunded) ₹	Leave Encashment (Unfunded) ₹
Net Asset/ (Liability) recognised in Balance Sheet (including experience adjustment impact)								
1. Present Value of Defined Benefit Obligation	2,785,788	5,781,382	2,179,953	5,362,727	1,969,409	5,880,212	1,537,795	3,881,752
2. Fair Value of Plan Assets	-	-	-	-	-	-	-	-
3. Status [Surplus/(Deficit)]	(2,785,788)	(5,781,382)	(2,179,953)	(5,362,727)	(1,969,409)	(5,880,212)	(1,537,795)	(3,881,752)
4. Experience Adjustments on Plan Liabilities [Loss/(Gain)]*	(541,367)	(1,688,513)	218,941	(1,480,126)	49,645	(275,408)	135,904	(323,316)
5. Experience Adjustments on Plan Assets [Gain/(Loss)]*	-	-	-	-	-	-	-	-

15. Defined Contribution Plans:

The Company makes contribution towards Provident Fund and ESIC to a defined contribution benefit for qualifying employees. The Provident Fund and ESIC plans are operated by Regional Provident Fund Commissioner and Director, Employee State Insurance Corporation respectively. The Company is required to contribute a specified percentage of payroll cost to retirement benefit schemes to fund the benefits.

16. The primary reporting of the Company has been prepared on the basis of Business Segments. The Company has only one business segment which is Transport/Car Rental related services and as such operates in a single business segment based on its nature of products, the risks and return, the organisation structure and internal financing reporting system. Accordingly, the figures in the Financial Statement relate to the Company's single business segment.

Secondly, segment reporting is prepared on the basis of geographical location of its operations. The operating interests of the Company are confined to India in terms of its operations. Accordingly, the figures in the Financial Statements relate to the reflecting Company's single geographical segment being operations in India.

17. The loss incurred by the Company during the current financial year in comparison to the previous financial year has reduced. With the same trend continuing and based on future projections taken on record, the Company is certain that it shall be able to realize the deferred tax asset on account of Unabsorbed Depreciation of ₹ 28,537,184 (2010 - ₹ 22,038,838).

Schedules to Accounts — *Contd.*

NOTES TO THE ACCOUNTS (*Contd.*)

18. The details of transactions entered into with related parties during the period are as follows:

(A) Related Parties

- a. Holding Company
EIH Limited
- b. Investing party in respect of which the reporting enterprise is an Associate or a Joint Venture
 - i. Avis India Investment Private Limited
 - ii. Avis Asia Limited, UK
 - iii. Avis Management Services, UK
- c. Fellow Subsidiaries
 - i. Mashobra Resort Limited
 - ii. Mumtaz Hotels Limited
 - iii. Oberoi Kerala Hotels and Resorts Limited
 - iv. EIH Flight Services Limited, Mauritius
 - v. EIH International Limited
 - vi. EIH Holdings Ltd
 - vii. EIH Marrakech Ltd
 - viii. J&W Hongkong Ltd
 - ix. Oberoi Turtle Bay Ltd
 - x. EIHH Corporation Ltd
 - xi. EIH Investments NV
 - xii. EIH Management Services BV
 - xiii. PT Widja Putra Karya
 - xiv. PT Waka Oberoi Indonesia
 - xv. PT Astina Graha Ubud
- d. Enterprises over which Key Management Personnel have significant influence
 - i. Island Hotel Maharaj Limited
 - ii. Oberoi Hotels Private Limited
 - iii. Oberoi Properties Private Limited
 - iv. Oberoi Holdings Private Limited
 - v. Oberoi Investments Private Limited
 - vi. Oberoi Buildings and Investments Private Limited
 - vii. Oberoi Plaza Private Limited
 - viii. Bombay Plaza Private Limited
 - ix. Oberoi Leasing & Finance Company Private Limited
 - x. Aravali Polymers LLP
- e. Key Management Personnel
 - i. Mr. P.R.S. Oberoi
 - ii. Mr. S.S. Mukherji
 - iii. Mr. John McNicholas

Schedules to Accounts — *Contd.*NOTES TO THE ACCOUNTS (*Contd.*)**(B) Transactions with Related Parties during the financial year and outstanding balance as on 31st March, 2011:**

Nature of Transaction	Holding Company	Investing Party in respect of which reporting enterprise is an associate or a Joint Venture	Fellow Subsidiaries	Enterprise over which Key Management Personnel have Significant Influence
Purchases				
Goods & Services	Nil (Nil)			
Fixed Assets	Nil (Nil)			
Total	Nil (Nil)			
Expenses				
Rent and Service Charges EIH Ltd.	2,377,399 (2,736,155)			
Royalty Avis Asia Limited, UK	Nil (Nil)	25,283,219 (26,195,269)		
Total	2,377,399 (2,736,155)	25,283,219 (26,195,269)		
Sales				
Goods and Services (including Payout) EIH Ltd.	73,304,371 (47,041,560)			
Mumtaz Hotels Limited			219,866 (73,634)	
Mashobra Resort Limited			356,938 (1,358)	
Other Income				
Marketing Contribution Avis Management Services, UK	Nil (Nil)	362,900 (346,150)		
Referral Commission Avis Management Services, UK		1,912,894 (1,702,092)		
Outstanding				
– Payables				
For Goods and Services – EIH Ltd.	Nil (Nil)			
– Avis Asia Limited, UK		30,528,867 (26,195,269)		
– Receivables				
For Goods and Services – EIH Ltd.	12,176,396 (10,013,227)			
– Avis Management Services, UK		10,158,262 (7,999,403)		
– Mashobra Resorts Limited			616,903 (473,370)	
– Mumtaz Hotels Limited			1,126,235 (713,442)	
Others				
– Guarantees	60,000,000 (90,000,000)			
Share Capital raised				
– EIH Ltd.	Nil (27,777,770)			
– Avis India Investments Pvt. Limited		Nil (13,888,880)		
Securities Premium				
– EIH Limited	Nil (22,222,216)			
– Avis India Investments Pvt. Limited		Nil (11,111,104)		

Figures in brackets represent figures for 2010

Schedules to Accounts — *Contd.*NOTES TO THE ACCOUNTS (*Contd.*)

19. The Company has not received from parties any information/memorandum (as required to be filed by suppliers/vendors with notified authority under Micro, Small and Medium Enterprises Act, 2006) claiming their status as Micro, Small or Medium Enterprises. As such, the Company does not owe any dues on account of principal amount together with interest and, accordingly, no additional disclosures are made. This has been relied upon by the auditors.

20. Foreign exchange exposure not hedged by derivative instrument or otherwise:

	Year ended 31st March	
	2011	2010
	Rupees	Rupees
Sundry Debtors	10,158,262 (USD 230,869)	7,999,403 (USD 178,518)
Sundry Creditors	30,258,867 (USD 687,701)	26,195,269 (USD 576,353)

21. Auditor's Remuneration excluding Service Tax include Audit Fees ₹ 362,000 (2010 - ₹ 325,000), Tax Audit Fee ₹ 80,000 (2010 - ₹ 40,000), other matters – Certification ₹ 163,000 (2010 - ₹ 102,000), Reimbursement of Expenses ₹ 5,250 (2010 - ₹ 6,250).

22. Earnings per Equity Share

	Year ended 31st March	
	2011	2010
	Rupees	Rupees
Net Profit/(Loss) as per Profit and Loss Account	(16,318,031)	(37,478,104)
Less: Dividend on Preference Shares (including Tax on Dividend)	–	–
Net Profit/(Loss) available for Equity Shareholders	(16,318,031)	(37,478,104)
Number of Equity Shares (Weighted Average)	4,916,665	772,831
Basic and Diluted Earnings per Equity Share in Rupees of face value of ₹ 10	(3.33)	(48.49)

23. Earnings in Foreign Currency

	Year ended 31st March	
	2011	2010
	Rupees	Rupees
Sales (as certified by the Management)	33,832,135	35,160,627

24. Expenditure in Foreign Currency (accrual basis)

	Year ended 31st March	
	2011	2010
	Rupees	Rupees
Royalty	25,103,883	26,195,269
Other Matters	873,276	Nil

25. CIF Value of Imports under EPCG Licence

	Year ended 31st March	
	2011	2010
	Rupees	Rupees
CIF Value of Imports under EPCG Licence	Nil	Nil
CIF Value of Imports – Capital Goods (Capitalised)	4,959,971	Nil

26. The figures for the previous year have been regrouped / recast as far as practicable to make them comparable to that of the current year.

Schedules to Accounts — *Contd.*NOTES TO THE ACCOUNTS (*Contd.*)

27. Information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet abstract and Company's General Business Profile:

(I) Registration Details

Registration Number	68029
State Code	21
Balance Sheet Date	31st March, 2011

(II) Capital raised during the Period*(Amount in ₹ thousands)*

Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—

(III) Position of mobilisation and deployment of funds*(Amount in ₹ thousands)*

Total Liabilities	692,440
Total Assets	692,440

Sources of Funds

Paid-up Capital	49,167
Securities Premium	47,853
Secured Loans	448,624
Deferred Tax (Net)	—

Applications of Funds

Net Fixed Assets	375,551
Net Current Assets	138,574
Deferred Tax (Net)	5,343
Profit and Loss Account	26,176

(IV) Performance of the Company

Turnover	800,576
Total Expenditure	824,241
Profit (+)/Loss (-) before Tax	(23,665)
Profit (+)/Loss (-) after Tax	(16,378)
Earning Per Share (in ₹)	Nil
Equity Dividend (%)	Nil
Preference Dividend (%)	Nil

(V) Generic Names of principal products/services of the Company as per monetary terms

Item Code No. (ITC Code)	Not applicable
Product Description	Transportation

Gurgaon
29th May, 2011

P.R.S. OBEROI	Chairman
S.S. MUKHERJI] Directors
T.K. SIBAL	